



# IDAHO

DEPARTMENT OF FINANCE

C.L. "BUTCH" OTTER  
Governor

GAVIN M. GEE  
Director

June 29, 2017

RE: License Inquiry – State of Idaho

Dear ,

On June 11, 2017, the State of Idaho, Department of Finance, (the Department) received your company's email seeking licensing your company would require to conduct business in the state of Idaho, with respect to online financial markets and Peer-to-Peer (P2P) trading.

Based solely upon the facts outlined in your correspondence, a review of your P2P business model and your website "1", the Department is of the opinion a money transmitter license as outlined in Chapter 29, Title 26, Idaho Code, of the Idaho Money Transmitters Act (IMTA) would be required<sup>1</sup>.

The IMTA defines money transmission to include "the sale or issuance of payment instruments or engaging in the business of receiving money for transmission or the business of transmitting money ... by any and all means ... " Idaho Code §26-2902(11). The Department has interpreted holding of funds received via deposit transactions and then completing cash settlements to the client's bank accounts when trades are completed meets the requirements for licensing under the IMTA.

Should your business plan deviate from the facts outlined in the correspondence, it is possible that the Department would take a different position than the one noted in this letter.

If you would like more information on money transmitting licensing in Idaho, you can visit the Department's web site <http://www.finance.idaho.gov>. If you have questions or comments on this matter, please contact the undersigned at [jeff.flora@finance.idaho.gov](mailto:jeff.flora@finance.idaho.gov) or telephone at (208)332-8045.

Sincerely

A handwritten signature in black ink, appearing to read "Jeff Flora".

Jeff Flora  
Financial Examiner / Investigator  
Idaho Department of Finance  
Securities Bureau

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<sup>1</sup> This decision is based solely on the unique circumstances of the activity described and is not intended to serve as precedent for any other money transmitter or similarly situated person or entity. This letter should not be construed as a finding that licensure is not required in other jurisdictions where other users or recipients may reside.

**SECURITIES BUREAU**  
800 Park Boulevard, Suite 200, Boise, ID 83712  
Mail To: P.O. Box 83720, Boise ID 83720-0031  
Phone: (208) 332-8004 Fax: (208) 332-8099  
[www.finance.idaho.gov](http://www.finance.idaho.gov)

## Jeff Flora

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**From:**  
**Sent:** Monday, June 19, 2017 3:32 PM  
**To:** Jeff Flora  
**Subject:** Re: Escrow License Inquiry

Hi Jeff,

Peer to Peer trading in FOREX and Exotic FX Options products is a legitimate financial framework whereby clients trade against each other with a Licensed and Regulated independent settlement party known and serving as the Administrator.

The Administrator could be a forex broker or escrow or trust service company.

In the Peer to Peer model, the loss of Client A is used to fully offset the win of Client B at all times without a possibility of default by any of the parties in the trade contract.

For example, client A believes that the EURUSD currency instrument spot price will fall and so places a sell bet while client B sees the bet of client A and believes that client A's forecast is wrong meaning that the EURUSD spot price will rise.

Client B would then take the opposite side of the client A's trade bet.

At the end the market movement will determine the winner and loser.

So on the trading platform called \_\_\_\_\_, client A would structure his bet ticket and send it to the exchange room in the platform for every other client dealing on the platform to see. Whoever believes client A is wrong would then click on the trade bet of client A and then they will both immediately go into a trade/bet contract which will appear in their respective accounts in the platform.

The winner will then be automatically settled in his account with the loser's loss amount less a commission charge of 25% on the winner's profit. This means that the winner would share 25% of his profit from that trade or bet with the Administrator. This is done automatically by the trading platform as soon as the trade or bet is concluded by the market.

The duty of the Administrator who is either a forex broker or escrow or trust company is to hold the funds of all clients in a segregated bank account after due KYC has been done on them and then do the cash settlement to the clients bank accounts when they make their withdrawals.

Do you understand?

What exact license do we need to go for at your end? Escrow?

Best regards,

On 2017-06-19 12:59, Jeff Flora wrote:

> - your email has been forwarded to me for a response.  
>

-----Original Message-----

From:

Sent: Sunday, June 11, 2017 6:51 PM

To: Finance Internet Mail <Finance.InternetMail@finance.idaho.gov>

Subject: Escrow License Inquiry

Hi there,

We are a software development company based in Calgary, Alberta in Canada. We have developed a financial software for online financial market products trading in peer to peer model. In order for us to be able to facilitate the business ourselves, we need to have an escrow license for online trading cash settlements between peers.

Can we be able to get a license under your supervision as we are based in Canada or we would need to first register the company in the US?

What are your requirements for escrow licensing and regulation in respect to online financial market products p2p trading?

Best regards,

Executive Director

#### Important Information

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## Jeff Flora

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**From:** Jeff Flora  
**Sent:** Monday, June 19, 2017 1:59 PM  
**To:**  
**Subject:** RE: Escrow License Inquiry

- your email has been forwarded to me for a response.

Because there are so many business model variations and nuances, the Department would like to request a copy of your company's business plan and flow of funds. This way we can make sure once we understand the business model, then we are in a better position to make a determination on what, if any, license you will require to conduct business in the State of Idaho.

You may send your supporting documentation to my address below or send it electronically to my email address.

The Department looks forward to hearing from you and reviewing your business plan.

Jeff

Jeff Flora CFE  
Idaho Department of Finance  
Financial Examiner/Investigator III  
Securities Bureau -Money Transmitters  
800 Park Blvd 2nd Floor  
Boise, Idaho 83712  
Telephone: (208)-332-8045  
Jeff.flora@finance.idaho.gov

-----Original Message-----

From: Coleen Hodson  
Sent: Monday, June 12, 2017 7:54 AM  
To: Jeff Flora <Jeff.Flor@finance.idaho.gov>  
Subject: FW: Escrow License Inquiry

Jeff,  
Will you please draft a response. Thanks Coleen

-----Original Message-----

From: Finance Internet Mail  
Sent: Monday, June 12, 2017 7:24 AM  
To: Coleen Hodson  
Cc: Jim Burns  
Subject: FW: Escrow License Inquiry

Hi Coleen,  
Will you arrange for a response to this email?  
Thanks,  
Lisa